Department of Finance Canada

2014–15

Departmental Performance Report

The Honourable William F. Morneau, P.C., M.P.
Minister of Finance

©Her Majesty the Queen in Right of Canada (2015) All rights reserved

All requests for permission to reproduce this document or any part thereof shall be addressed to the Department of Finance Canada.

Cette publication est également disponible en français.

Cat. No.: F1-39/2015E-PDF

ISSN: 2368-1772

Table of Contents

Minister's Message 1

Section I: Organizational Expenditure Overview 3

- Organizational Profile 3
- Organizational Context 4
- Actual Expenditures 14
- Alignment of Spending With the Whole-of-Government Framework 16
- Departmental Spending Trend 17
- Expenditures by Vote 17

Section II: Analysis of Programs by Strategic Outcome 19

- Strategic Outcome: A strong economy and sound public finances for Canadians 19
- Program 1.1: Economic and Fiscal Policy Framework 19
- Sub-Program 1.1.1: Taxation 21
- Sub-Program 1.1.2: Economic and Fiscal Policy, Planning and Forecasting 24
- Sub-Program 1.1.3: Economic Development Policy 26
- Sub-Program 1.1.4: Federal-Provincial Relations and Social Policy 28
- Sub-Program 1.1.5: Financial Sector Policy 30
- Sub-Program 1.1.6: International Trade and Finance 32
- Program 1.2: Transfer and Taxation Payment Programs 35
- Sub-Program 1.2.1: Fiscal Arrangements with Provinces and Territories 37
- Sub-Program 1.2.2: Tax Collection and Administration Agreements 38
- Sub-Program 1.2.3: Commitments to International Financial Organizations 40
- Sub-Program 1.2.4: Receipts From and Payments to Individuals and Organizations 41
- Program 1.3: Treasury and Financial Affairs 43
- Sub-Program 1.3.1: Federal Debt Management 45
- Sub-Program 1.3.2: Major Federal-Backed Entities' Borrowing 46
- Sub-Program 1.3.3: Prudential Liquidity and Reserves Management 47

Sub-Program 1.3.4: Domestic Currency System 49
Internal Services 50

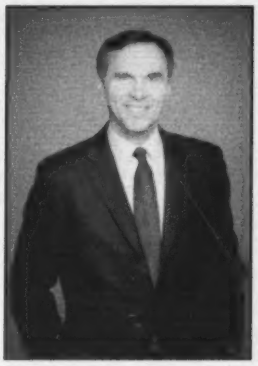
Section III: Supplementary Information 53
Financial Statements Highlights 53
Financial Statements 54
Supplementary Information Tables 54
Tax Expenditures and Evaluations 54

Section IV: Organizational Contact Information 55

Appendix: Definitions 57

Endnotes 61

Minister's Message



The Department of Finance Canada plays a leadership role in contributing to a strong economy and sound public finances. The Department develops and implements the fiscal and economic policies that support growth, productivity and fairness. Its work is key to the future success of Canada and Canadians.

This annual performance report describes the Department of Finance Canada's achievements in meeting its priorities.

Canada's government is committed to a realistic, sustainable, and transparent fiscal plan designed to address the economic times in which we live. We will direct our resources to those initiatives that will have the greatest, positive impact on the lives of Canadians.

The mandate that I received from the Prime Minister directed me to seek out and listen to the views of Canadians, to collaborate and to build consensus. I am working on behalf of Canadians to achieve our shared priorities of economic growth, job creation and greater prosperity for all.

I want to thank the employees of the Department of Finance Canada for their continued service to Canadians. I count on their support as we work to improve our country and the lives of all Canadians by focusing on a healthy economy with a strong and growing middle class.

Section I: Organizational Expenditure Overview

Organizational Profile

Appropriate Minister: William F. Morneau

Institutional Head: Paul Rochon

Ministerial Portfolio: Department of Finance

Enabling Instruments: The Minister of Finance has direct responsibility for a number of acts and is assigned specific fiscal and tax responsibilities relating to other acts that are under the responsibility of other ministers, including the:

- *Financial Administration Act;*
- *Income Tax Act;*
- *Payment Clearing and Settlement Act;*
- *Federal-Provincial Fiscal Arrangements Act;*
- *Customs Act;*
- *Customs Tariff;*
- *Excise Act, 2001;*
- *Excise Tax Act;*
- *Proceeds of Crime (Money Laundering) and Terrorist Financing Act;* and
- *Special Import Measures Act.*

Key legislation and acts are available on the Department of Justice Canada's website.[i]

Year of Incorporation / Commencement: 1867

Organizational Context

Raison d'être

The Department of Finance Canada contributes to a strong economy and sound public finances for Canadians. It does so by monitoring developments in Canada and around the world to provide first-rate analysis and advice to the Government of Canada and by developing and implementing fiscal and economic policies that support the economic and social goals of Canada and its people. The Department also plays a central role in ensuring that government spending is focused on results and delivers value for taxpayer dollars. The Department interacts extensively with other federal organizations and acts as an effective conduit for the views of participants in the economy from all parts of Canada.

Responsibilities

Created in 1867, the Department of Finance Canada was one of the original departments of the Government of Canada and had as its primary functions bookkeeping, administering the collection and disbursement of public monies, and servicing the national debt. Today, the Department helps the Government of Canada develop and implement strong and sustainable economic, fiscal, tax, social, security, international and financial sector policies and programs. It plays an important central agency role, working with other departments to ensure that the government's agenda is carried out and that ministers are supported with high-quality analysis and advice.

The Department's responsibilities include:

- Preparing the federal Budget and the fall Update of Economic and Fiscal Projections;
- Preparing the Annual Financial Report of the Government of Canada and, in cooperation with the Treasury Board of Canada Secretariat and the Receiver General for Canada, the Public Accounts of Canada;
- Developing tax and tariff policy and legislation;
- Managing federal borrowing on financial markets;
- Designing and administering major transfers of federal funds to the provinces and territories;
- Developing financial sector policy and legislation; and
- Representing Canada in various international financial institutions and organizations.

The Minister of Finance is accountable for ensuring that his responsibilities are fulfilled both within his portfolio and with respect to the authorities assigned through legislation.

Strategic Outcome and Program Alignment Architecture

1. Strategic Outcome: A strong economy and sound public finances for Canadians

- **1.1 Program:** Economic and Fiscal Policy Framework
  - **1.1.1 Sub-Program:** Taxation
  - **1.1.2 Sub-Program:** Economic and Fiscal Policy, Planning, and Forecasting
  - **1.1.3 Sub-Program:** Economic Development Policy
  - **1.1.4 Sub-Program:** Federal-Provincial Relations and Social Policy
  - **1.1.5 Sub-Program:** Financial Sector Policy
  - **1.1.6 Sub-Program:** International Trade and Finance
- **1.2 Program:** Transfer and Taxation Payment Programs
  - **1.2.1 Sub-Program:** Fiscal Arrangements with Provinces and Territories
  - **1.2.2 Sub-Program:** Tax Collection and Administration Agreements
  - **1.2.3 Sub-Program:** Commitments to International Financial Organizations
  - **1.2.4 Sub-Program:** Receipts from and Payments to Individuals and Organizations
- **1.3 Program:** Treasury and Financial Affairs
  - **1.3.1 Sub-Program:** Federal Debt Management
  - **1.3.2 Sub-Program:** Major Federal-Backed Entities' Borrowing
  - **1.3.3 Sub-Program:** Prudential Liquidity and Reserves Management
  - **1.3.4 Sub-Program:** Domestic Currency System
- **Internal Services**

Organizational Priorities

Organizational Priorities

Priority	Type[1]	Programs
Sound fiscal management The Department of Finance Canada will ensure effective management of the fiscal framework, including implementation of the federal budget.	Ongoing	• 1.1 Economic and Fiscal Policy Framework • 1.3 Treasury and Financial Affairs

Summary of Progress

What progress has been made toward this priority?

- The Department successfully prepared the 2015 federal budget and advanced the implementation of related legislation.
- Other departmental actions included supporting the implementation of improvements to the integrity and the fairness of the tax system, such as measures to ensure that corporations do not realize unintended tax benefits on synthetic equity arrangements, and to strengthen an existing anti-avoidance rule meant to prevent corporations from converting their taxable capital gains into tax-free dividends.
- The Department continued to systematically review and deliver advice on federally owned assets to improve their efficiency and effectiveness and to ensure value for taxpayers.
- The Department ensured that funding to meet government financial requirements was raised in a timely manner and in quantities sufficient to meet operational needs. The Department also provided timely, cost-effective and well-managed funding for Crown corporations and other federal-backed entities.
- The Department provided advice on economic development and the fiscal situation to the Minister on a regular basis.
- Monthly highlights and details of the government's fiscal performance were published in the Department's Fiscal Monitor.

1. Type is defined as follows: previously committed to—committed to in the first or second fiscal year prior to the subject year of the report; ongoing—committed to at least three fiscal years prior to the subject year of the report; and new—newly committed to in the reporting year of the Report on Plans and Priorities or the Departmental Performance Report.

Priority	Type[1]	Programs
Sustainable economic growth The Department will continue to play a leadership role in putting in place policies that encourage productivity-enhancing investments and that facilitate workforce participation.	Ongoing	• 1.1 Economic and Fiscal Policy Framework

Summary of Progress

What progress has been made toward this priority?

- The Department supported the government's economic agenda by providing high-quality and timely analysis and advice on the fiscal and economic implications associated with sectoral, regional and microeconomic policy issues, policies and programs.
- The Department developed and maintained strong working relationships with provincial and territorial officials through the Canada Pension Plan Committee.
- The Department supported the development and implementation of business tax measures, including a reduction in the small business tax rate from 11 per cent to 9 per cent by 2019 and an accelerated capital cost allowance for manufacturers to boost productivity-enhancing investment in machinery and equipment over the next 10 years.
- The Department worked on legislative and regulatory proposals to sustain and reinforce the stability of the financial sector, to strengthen Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime, to broaden discretionary retirement income savings options, and to protect Canadian consumers.
- The Department concluded the implementation phase of the Venture Capital Action Plan to catalyze the development of a sustainable venture capital ecosystem in Canada. The Plan has resulted in the establishment of four private sector-led large-scale funds of funds.[ii] In addition, the government catalyzed early investments through the high-performing funds initiative by investing an aggregate of $50 million in four high-performing private sector-led venture capital funds.

Priority	Type[1]	Programs
Sound social policy framework The Department will manage the major transfer payment programs providing financial support to provinces and territories and will continue work with departments and other central agencies to develop policy proposals that are consistent with, and deliver on, the government's social policy priorities.	Ongoing	• 1.1 Economic and Fiscal Policy Framework • 1.2 Transfer and Taxation Payment Programs

Summary of Progress

What progress has been made toward this priority?

- The Department prepared briefings for the Minister and senior government officials on major transfers and social policies and programs related to health care, immigration, the labour market, post-secondary education, justice, public safety, Aboriginal peoples, cultural programs, persons with disabilities and veterans.
- The Department provided analysis and recommendations leading to the inclusion of new social policy measures, including the extension of Employment Insurance Compassionate Care Benefits, the enrichment of the benefits and services provided to veterans, and the introduction of new measures to improve national security.
- Provincial and territorial finance ministers were presented with their transfer amounts for 2015–16 at the December 2014 Finance Ministers' Meeting.
- The Department developed and maintained strong working relationships with provincial and territorial officials through the Canada Pension Plan Committee.

Priority	Type[1]	Programs
Effective international engagement The Department will advance Canada's leadership internationally, with a focus on the G20 Framework for Strong, Sustainable and Balanced Growth.	Ongoing	• 1.1 Economic and Fiscal Policy Framework • 1.2 Transfer and Taxation Payment Programs

Summary of Progress

What progress has been made toward this priority?

- The Department, on behalf of Canada, continued to co-chair the Working Group on the G20 Framework for Strong, Sustainable, and Balanced Growth, which is the key international mechanism for economic cooperation. As co-chair of the Framework Working Group (along with India), Canada has played a catalytic role in the development of comprehensive growth strategies by G20 members—strategies that aim to lift G20 gross domestic product by at least 2 per cent by 2018.
- The Department supported the government's bilateral and regional trade agenda, most notably the ongoing trade negotiations with Trans-Pacific Partnership countries. In addition, the Department continued to implement and assess tariff measures announced in the 2014 budget through legislation and regulation processes.
- The Department provided policy advice related to the International Assistance Envelope, including aid-effectiveness policies.

Priority	Type[1]	Strategic Outcome and Programs
Pursue excellence and high performance through increased collaboration, innovation, use of new technologies, and sound resource management.	New	• The strategic outcome and all programs

Summary of Progress

What progress has been made toward this priority?

- In the 2014–15 Management Accountability Framework results, the Department was identified as demonstrating two notable practices: Financial Management and Risk Management. The Department had some of the strongest 2014 Public Service Employee Survey results.
- The Department began implementing its Blueprint 2020 action plan and made achievements in its three identified portfolios: infrastructure, people and policy. The Department has also contributed to Destination 2020 priorities, including crowd-sourcing innovation, virtual collaboration and connecting employees with senior management.

- Key people management achievements include the implementation of revised candidate assessment methods for the annual departmental University Recruitment Campaign, on-the-job learning opportunities for nearly 20 per cent of employees, the completion of an upward feedback survey, and the implementation of a new competency profile to be used in selection processes for professional administrative support staff.
- With respect to the government-wide Transformation of Pay Administration Initiative, the Department completed a partial transfer of pay accounts to the Public Service Pay Centre on schedule in February 2015. Monthly departmental dashboards show the highest levels of readiness and data quality in preparation for the full transfer of pay accounts and the Phoenix implementation scheduled for October 2015.

Priority	Type[1]	Strategic Outcome and Programs
Ensure a secure and reliable information technology (IT) infrastructure and implement a collaborative, client-focused approach for information management (IM).	Previously committed to	• The strategic outcome and all programs

Summary of Progress

What progress has been made toward this priority?

- The Department routinely performed scans to detect viruses and malware, applied security updates and patches on both networks, and performed regular maintenance on its computer network in partnership with Shared Services Canada.
- The Department's Executive Committee approved a three-year departmental IM/IT Strategic Plan that identifies priority projects for the Department, including the development of tools, applications and knowledge to enable collaboration and innovation in a digital business operating environment.
- The Department worked closely with Shared Services Canada and the Treasury Board of Canada Secretariat to advance IM/IT transformation initiatives such as Pay Modernization, Web Renewal and Email Transformation.
- The Department made progress on actions identified through the Blueprint 2020 engagement exercise to implement the use of new technologies. These technologies include digital signs in support of internal communications, the Department's new state of the art conference centre, and continued progress toward paperless processes, including a pilot project on electronic approval. A new project was launched to support real-time co-authoring through SharePoint, as well as a pilot project for workflow with electronic approval.

Risk Analysis

Over the past year, the global economy continued to expand at a modest pace, as the impact of stronger growth in the United States was weighed down by only a modest expansion in the euro area, by continued slowdown in China, and by contraction or stagnation in Japan, Brazil and Russia. In the context of ongoing modest global growth, a key development was the decline in crude oil prices of about 50 per cent since mid-2014. For Canada, as a producer and net exporter of crude oil, lower prices led to a downward revision of domestic growth projections for 2014–15.

Continued uncertainty in global economic conditions highlights the importance of coordinated international decision making. The Department of Finance Canada continued to monitor risks to the global economic outlook, consulted with international partners, particularly in the G7 and G20 Finance Ministers' and Leaders' processes, and coordinated appropriate policy responses with international partners (for example, G20 growth strategies). It continued to monitor evolving uncertainties associated with economic and financial market outcomes, notably the risks associated with the vulnerabilities in the Canadian housing market.

The following table describes five of the top departmental risks that were identified in the 2014–15 Report on Plans and Priorities and discusses the effectiveness of the risk response strategies.

Key Risks

Risk	Risk Response Strategy	Link to Program Alignment Architecture
There is a risk that the requirement for coordinated international decision making will increase further and significantly affect the priorities and workload of the Department. (Risk Level: 4)	The Department continued ongoing monitoring of global economic conditions, focusing on access to market intelligence, interaction with external authorities, and engagement with organizations. In-depth and frequent engagement between departmental staff and the network of finance and economic counsellors continued. The Department continued to engage in key forums for international economic coordination, including the G7, G20 and International Monetary Fund, and to serve as co-chair of the Working Group on the G20 Framework for Strong, Sustainable, and Balanced Growth. Coordination with other government departments continued to support alignment of international economic, trade and development priorities with domestic priorities, including the alignment and coordination of International Assistance Envelope decisions with broader domestic priorities.	• 1.1 Economic and Fiscal Policy Framework • Internal Services

Risk	Risk Response Strategy	Link to Program Alignment Architecture
	The above risk mitigation strategies have been implemented as intended and have been useful in mitigating risks. In particular, these strategies helped the Department support the provision of analysis and advice to key decision makers and maintain a high level of engagement in international organizations and with partners to influence decisions and effectively advance Canadian views.	
There is a risk that volatility on the state of the economic recovery will challenge the Department's ability to provide accurate strategic advice and policy recommendations. (Risk Level: 3)	Private sector surveys were conducted in June, September and December 2014, and in March 2015. In addition, the Minister of Finance met with private sector economists to discuss the economic outlook in June and October 2014, and in April 2015. As well as conducting its own internal analysis, the Department remained actively engaged with private sector economists during this period, to remain abreast of their current views on the economy. The above risk mitigation strategies have been implemented as intended and have been useful in mitigating the risks associated with an uneven global economic recovery. In particular, these strategies have helped to mitigate the risk posed by the significant decline in global crude oil prices since mid-2014. As a result, the Department has been able to maintain the provision of accurate strategic advice and policy recommendations to the Minister of Finance and the government.	• 1.1 Economic and Fiscal Policy Framework
There is a risk that the Department will not have the infrastructure, resources and authorities needed to address, on an urgent basis, an evolving and uncertain economic and financial sector environment. (Risk Level: 3)	Ongoing recruitment, training and development of personnel with specialized knowledge continued. Investments were prudently managed within a low-risk tolerance framework. Regular market reports continued to monitor vulnerabilities in financial markets. The above risk mitigation strategies have been implemented as intended and have been useful in mitigating the impact of financial market volatility and vulnerabilities that may impact the work conducted by the Department.	• 1.1 Economic and Fiscal Policy Framework • 1.3 Treasury and Financial Affairs • Internal Services

Risk	Risk Response Strategy	Link to Program Alignment Architecture
There is a risk that the Department will have a reduced ability to hire new talent, which could affect the Department's ability to provide quality policy advice and services to produce the fall update, budget, and other key documents. (Risk Level: 5)	Practices were further aligned with the Treasury Board *Directive on Performance Management*, and improvements were made to the performance management program. Branches allocated resources to priority activities, redeploying resources based on changes in the operating environment. The 2014–15 Human Resources Plan was implemented and monitored. The collective management of the Executive (EX) cadre for performance and talent management and succession planning continued. Performance management results of non-EX employees were reviewed horizontally, including talent management, development and succession planning considerations for key positions. A new unit responsible for the integration of performance management, employee development, talent management and employee recognition was created. The professional development program for Access to Information and Privacy (ATIP) officers, particularly in relation to competency and progression requirements, was updated. Blueprint 2020 action plan initiatives, which seek to increase efficiencies and productivity, were implemented. The above risk mitigation strategies have been implemented as intended and the Department has maintained its ability to hire new talent, as necessary. Furthermore, the implemented Blueprint 2020 action plan activities have supported increased departmental efficiencies and productivity.	• 1.1 Economic and Fiscal Policy Framework • 1.2 Transfer and Taxation Payment Programs • 1.3 Treasury and Financial Affairs • Internal Services
There is a risk that a security breach either related to the physical or IT work environment or to misuse of privileged information, a conflict of interest situation or a breach of privacy will impact the delivery of critical services. (Risk Level: 6)	The dual network operational environment was used to segregate the most sensitive information assets. The computer network environment was routinely scanned and monitored, security patches and updates were applied, and maintenance was performed. The Department worked with Shared Services Canada to develop an integrated plan to relocate departmental services to the enterprise data centre. Ongoing security awareness training was delivered to new employees as part of the orientation sessions, and the IT Security awareness program was advanced by ensuring that employees receive situational awareness training, including instructions on how to handle and report suspicious or unusual emails.	• 1.1 Economic and Fiscal Policy Framework • 1.2 Transfer and Taxation Payment Programs • 1.3 Treasury and Financial Affairs • Internal Services

Risk	Risk Response Strategy	Link to Program Alignment Architecture
	Information and updates relating to the *Policy on Acceptable Network and Device Use* were posted on the intranet. The above risk mitigation strategies have been implemented as intended. The Department expects that the continual delivery of IT security awareness training will reduce employee vulnerability to phishing, which would contribute to the increased protection of sensitive departmental information assets.	

Actual Expenditures

Budgetary Financial Resources (dollars)

2014–15 Main Estimates	2014–15 Planned Spending	2014–15 Total Authorities Available for Use	2014–15 Actual Spending (authorities used)	Difference (actual minus planned)
87,615,730,740	87,615,730,740	85,764,595,533	85,683,154,816	(1,932,575,924)

Human Resources (Full-Time Equivalents [FTEs])

2014–15 Planned	2014–15 Actual	2014–15 Difference (actual minus planned)
774	765	(9)

Budgetary Performance Summary for Strategic Outcome and Programs (dollars)

Strategic Outcome(s), Program(s) and Internal Services	2014–15 Main Estimates	2014–15 Planned Spending	2015–16 Planned Spending	2016–17 Planned Spending	2014–15 Total Authorities Available for Use	2014–15 Actual Spending (authorities used)	2013–14 Actual Spending (authorities used)	2012–13 Actual Spending (authorities used)
Strategic Outcome: 1. A strong economy and sound public finances for Canadians								
1.1 Economic and Fiscal Policy Framework	86,840,289	86,840,289	70,864,539	59,102,669	137,331,601	124,886,930	90,992,374	81,328,189
1.2 Transfer and Taxation Payment Programs	61,060,094,306	61,060,094,306	63,809,601,256	66,765,312,869	61,971,275,326	61,902,703,494	60,171,246,077	57,360,555,306
1.3 Treasury and Financial Affairs	26,419,500,000	26,419,500,000	25,726,000,000	27,278,000,000	23,600,697,770	23,600,697,770	25,258,792,413	26,148,248,975
Subtotal	87,566,434,595	87,566,434,595	89,606,465,795	94,102,415,538	85,709,304,697	85,628,288,194	85,521,030,864	83,590,132,470
Internal Services Subtotal	49,296,145	49,296,145	39,931,317	38,935,287	55,290,836	54,866,622	57,841,315	50,468,976
Total	87,615,730,740	87,615,730,740	89,646,397,112	94,141,350,825	85,764,595,533	85,683,154,816	85,578,872,179	83,640,601,446

In 2014–15, actual spending for the Department of Finance Canada was $2 billion less than planned spending. This variance is explained by actual spending being $2.8 billion lower than planned in the Treasury and Financial Affairs Program and by actual spending being $800 million higher than planned in the Transfer and Taxation Payment Programs Program. The variance in the Treasury and Financial Affairs Program is due to interest rates being lower than anticipated at the time of the 2013 Update of Economic and Fiscal Projections, which formed the basis of the amount reported in the 2014–15 Report of Plans and Priorities. The variance in the Transfer and Taxation Payment Programs Program was mainly because some transfer payments amounts were finalized only following the publication of the 2014–15 Report on Plans and Priorities.

The variance between planned and actual spending for the Economic and Fiscal Policy Framework Program is explained by increased spending for the Canadian Securities Regulation Regime Transition Office, offset by lower than anticipated expenditures for government advertising programs, 2013 budget initiatives, and staff turnover.

Actual spending in 2014–15 for Internal Services exceeded planned spending by $5.6 million as a result of expenditures funded through the Supplementary Estimates process.

Alignment of Spending With the Whole-of-Government Framework

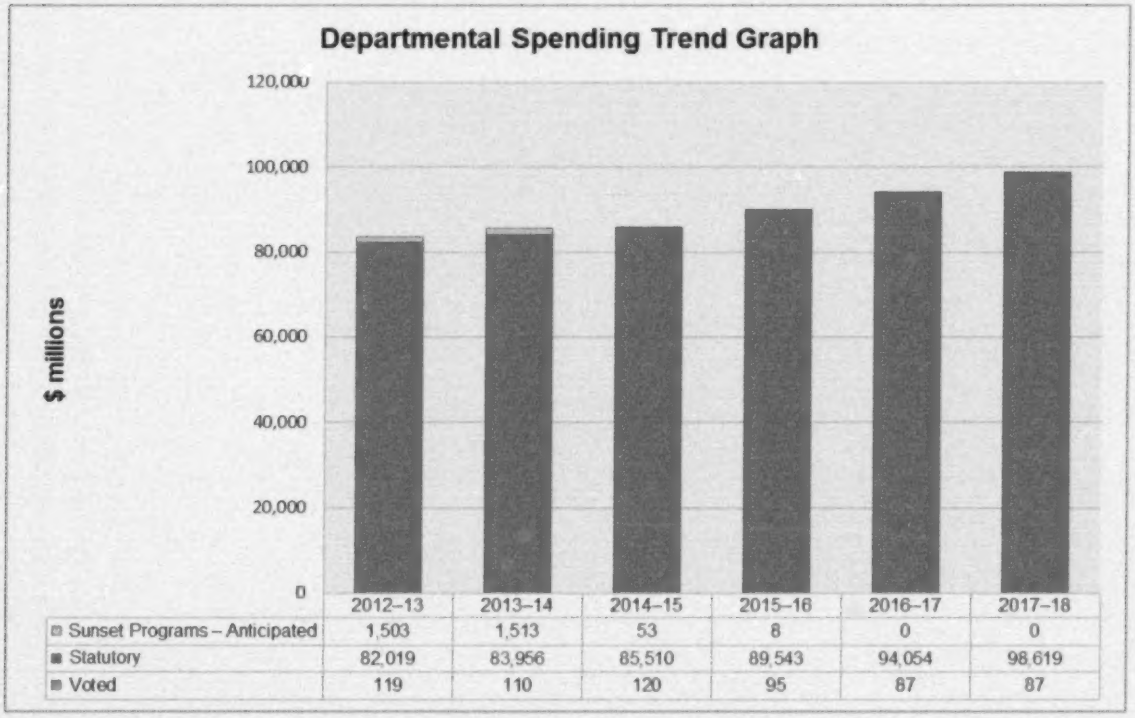
Alignment of 2014–15 Actual Spending With the Whole-of-Government Framework[iii] (dollars)

Strategic Outcome	Program	Spending Area	Government of Canada Outcome	2014–15 Actual Spending
A strong economy and sound public finances for Canadians	1.1 Economic and Fiscal Policy Framework	Economic Affairs	Strong Economic Growth	124,886,930
	1.2 Transfer and Taxation Payment Programs	All spending areas	All outcomes	61,902,703,494
	1.3 Treasury and Financial Affairs	Economic Affairs	Strong Economic Growth	23,600,697,770

Total Spending by Spending Area (dollars)

Spending Area	Total Planned Spending	Total Actual Spending
Economic affairs	42,367,862,594	39,988,132,831
Social affairs	44,695,762,000	44,695,735,363
International affairs	502,810,000	944,420,000
Government affairs	0	0

Departmental Spending Trend



	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18
Sunset Programs – Anticipated	1,503	1,513	53	8	0	0
Statutory	82,019	83,956	85,510	89,543	94,054	98,619
Voted	119	110	120	95	87	87

In the graph above, the amounts from 2012–13 to 2014–15 represent actual expenditures, whereas the amounts from 2015–16 to 2017–18 represent planned expenditures as presented in the *2015–16 Report on Plans and Priorities*.

The one upward trend depicted in the graph reflects legislated increases in annual transfer payments and forecasted increases in interest expenditures on the government's debt instruments.

Sunset programs represent, on average, less than 1 per cent of the spending shown.

Expenditures by Vote

For information on the Department of Finance Canada's organizational voted and statutory expenditures, consult the *Public Accounts of Canada 2015*,[iv] which is available on the Public Works and Government Services Canada website.[v]

Section II: Analysis of Programs by Strategic Outcome

Strategic Outcome: A strong economy and sound public finances for Canadians

Program 1.1: Economic and Fiscal Policy Framework

Description

This Program is the primary source of advice and recommendations to the Minister of Finance on issues, policies and programs of the Government of Canada related to the areas of economic, fiscal and social policy; federal-provincial relations; financial affairs; taxation; and international trade and finance. The work conducted by this Program involves extensive research, analysis, and consultation and collaboration with partners in both the public and private sectors, including the Cabinet and the Treasury Board; Parliament and parliamentary committees; the public and Canadian interest groups; departments, agencies and Crown corporations; provincial and territorial governments; financial market participants; the international economic and finance community; and the international trade community. In addition, this Program includes policy advice on the development of Memoranda to Cabinet, negotiation of agreements, drafting of legislation and sponsoring of bills through the parliamentary process, which are subsequently administered by other programs within the Department and by other government departments and agencies. The aim of this Program is to create a sound and sustainable fiscal and economic framework that will generate sufficient revenues and provide for the management of expenditures in line with the Budget Plan and financial operations of the Government of Canada.

Budgetary Financial Resources (dollars)

2014–15 Main Estimates	2014–15 Planned Spending	2014–15 Total Authorities Available for Use	2014–15 Actual Spending (authorities used)	2014–15 Difference (actual minus planned)
86,840,289	86,840,289	137,331,601	124,886,930	38,046,641

Human Resources (Full-Time Equivalents [FTEs])

2014–15 Planned	2014–15 Actual	2014–15 Difference (actual minus planned)
481	453	(28)

Performance Results

Expected Results	Performance Indicators	Targets	Actual Results
A sound economic, social, fiscal and financial policy framework.	Percentage of leading international organizations and major ratings agencies that rate Canada's economic, social, fiscal, and financial policy framework as favourable.	80 per cent	100 per cent
Ministers and senior government officials are equipped to make informed decisions on economic, fiscal and financial sector policies, programs and proposals.	Percentage of recommendations/agreed upon areas for improvement following audits and/or evaluations that are on track or have been implemented within the planned time frames.	100 per cent	87.5 per cent
	Percentage of recommendations/agreed upon areas for improvement following the annual federal budget post-mortem process that were implemented.	100 per cent	100 per cent

Performance Analysis and Lessons Learned

The Department of Finance Canada analyzed economic and fiscal developments in Canada and abroad to advise the Minister on implications for the fiscal framework, as well as on economic and financial issues related to the government's policies and commitments, including the return to balanced budgets. The Department continued to ensure that ministers and senior government officials were equipped to make informed decisions by conducting transparent, timely and accurate fiscal planning.

In 2014–15, the Department also implemented a number of measures to promote a stable, efficient and competitive financial sector and to ensure that domestic financial markets function well. The strength of Canada's performance in this area is reflected in the World Economic Forum's ranking of Canada's banking system as the soundest in the world.

The Department supported progress internationally and domestically on implementing G20 commitments related to financial stability—notably, proposing in the 2015 budget to implement a Taxpayer Protection and Bank Recapitalization Regime for Canada's systemically important banks, to develop measures to increase market discipline in residential lending and reduce taxpayer exposure to the housing sector, and to build resilient financial institutions.

The Department has been successful in implementing audit and evaluation recommendations within planned time frames in order to improve the quality of information it provides to ministers and senior government officials. In 2014–15, seven of eight agreed upon recommendations were implemented within the planned time frames. Implementation of the outstanding recommendation was delayed but is expected to be completed in 2015–16.

Actual spending in 2014–15 for the Economic and Fiscal Policy Framework Program exceeded planned spending by $38 million. The principal factor contributing to this variance was that spending for the Canadian Securities Regulation Regime Transition Office was $44 million greater than planned in the 2014–15 Report on Plans and Priorities, reflecting the timing of the funding request received from the Transition Office.

Increased spending for the Canadian Securities Regulation Regime Transition Office was offset by lower than anticipated expenditures for government advertising programs, for 2013 budget initiatives (Cooperative Capital Markets Regulator, comprehensive financial consumer code, Target Benefit Plans), and for staff. In addition, there was a realignment of legal services expenditures to Internal Services, as required by the *Guide on Internal Services Expenditures: Recording, Reporting and Attributing*.

The number of actual FTEs in 2014–15 was lower than planned because of staff turnover. These reductions also affected related Sub-Programs.

Sub-Program 1.1.1: Taxation

Description

This Sub-Program develops and evaluates federal taxation policies and legislation, and negotiates international tax treaties and tax information exchange agreements as well as tax elements of comprehensive land claim and self-government agreements with Aboriginal governments. It also provides advice and recommendations for changes aimed at improving the tax system while raising the required amount of revenue to finance government priorities. It focuses on the following areas: personal income tax, business income tax, sales and excise tax, and Aboriginal tax policy. It is also involved with multilateral international tax policy matters, federal-provincial tax coordination, federal-provincial tax collection and reciprocal taxation agreements, federal-Aboriginal tax administration agreements, and tax policy research and

evaluation. Improvements to the competitiveness, efficiency, simplicity and fairness of Canada's tax system increase incentives for Canadians and Canadian businesses to realize their full potential, thereby encouraging investment, promoting economic growth, and increasing Canadians' standard of living. These improvements also strengthen Canadians' confidence in the tax system.

Budgetary Financial Resources (dollars)

2014–15 Planned Spending	2014–15 Actual Spending	2014–15 Difference (actual minus planned)
21,329,932	21,499,089	169,157

Human Resources (FTEs)

2014–15 Planned	2014–15 Actual	2014–15 Difference (actual minus planned)
156	148	(8)

Performance Results

Expected Results	Performance Indicators	Targets	Actual Results
Ministers and senior government officials have timely access to evidence-based analysis, research and advice on matters that impact the Government of Canada's tax policy agenda.	Percentage of agreed upon deadlines for briefing material that were met.	90 per cent	65 per cent
	Degree to which overall findings of audits and/or evaluations are favourable.	Favourable	Favourable

Performance Analysis and Lessons Learned

The Department of Finance Canada provided the Minister and senior officials with high-quality tax policy advice and analysis, including options to promote jobs and growth and to improve the fairness and integrity of the tax system. The months of May and September represent the review period for the briefing material performance indicator. This Sub-Program deals with complex subject matter, which often requires extra diligence and detailed oversight. Because the Sub-Program deals with legislative drafting in addition to policy development, some briefing material prepared in May and September for the review period was delayed beyond original

deadlines. In particular, in September 2014 the Sub-Program had already begun its preparations for the 2015 budget and was actively engaged in preparing for the family tax measures announced in October 2014. Where the agreed upon deadlines were not met, briefing material was nevertheless provided in a sufficiently timely manner to be used for the intended purposes.

The Department provided advice and analysis on a number of measures announced or confirmed in the 2015 budget. These measures include the reduction of the small business tax rate from 11 per cent to 9 per cent by 2019 and the provision of accelerated capital cost allowances to encourage investment over the next 10 years in machinery and equipment used in manufacturing, and in facilities that liquefy natural gas.

Building on past actions, the 2015 budget also announced measures to reduce the tax compliance burden for businesses and other tax filers, including a two-thirds reduction in the frequency of required remittance payments for the smallest new employers and the expansion of the use of the Canada Revenue Agency's Business Number to a greater range of government programs, which allows a single identifier to be used to electronically register, provide and update information.

The Department provided analysis on measures announced in the 2015 budget to ensure that corporations do not realize unintended tax benefits on synthetic equity arrangements and to improve an existing anti-avoidance rule meant to prevent corporations from converting their taxable capital gains into tax-free dividends, further supporting the government's efforts to improve the integrity and fairness of the tax system.

The Department also provided analysis on measures announced in October 2014 to provide tax relief and benefit increases for families with children. The 2015 budget also announced further tax relief for Canadians, including seniors.

Internationally, the Department supported the government's ongoing commitment to participate in the Organisation for Economic Co-operation and Development / G20 project on Base Erosion and Profit Shifting.[vi] This project aims to develop coordinated multilateral solutions to address international tax planning strategies used by multinational enterprises to inappropriately minimize their taxes. Input from stakeholders solicited in the 2014 budget has helped shape Canada's ongoing participation in the international discussions. G20 Leaders have committed to finalizing the project by the end of 2015.

The Department also continued to negotiate international tax treaties and tax information and exchange agreements with other countries. In particular, the Department supported the government's efforts to improve the exchange of tax information between countries. In November 2014, Canada and the other G20 countries endorsed a new common reporting

standard developed by the Organisation for Economic Co-operation and Development for the automatic exchange of financial account information.

The variance between actual and planned spending and the variance in FTEs for this Sub-Program was due to higher than anticipated staff turnover.

Sub-Program 1.1.2: Economic and Fiscal Policy, Planning and Forecasting

Description

This Sub-Program analyzes Canada's economic and fiscal situation, as well as the fiscal position of other levels of government and of governments in other countries, and advises on the government's economic policy framework, its budget planning framework, and spending priorities. This Sub-Program is responsible for monitoring and preparing forecasts of Canada's economic and fiscal position and plays a lead role in the management of the government's fiscal framework. The Sub-Program also provides analytical support on a wide range of economic and financial issues related to the government's macroeconomic and structural policies. This Sub-Program is necessary to help ensure that fiscal planning in the Government of Canada is transparent and supports long-term fiscal sustainability. Sound fiscal planning provides significant benefits to Canadians and businesses in Canada. It gives the government the strength to withstand fiscal and economic challenges and ensures that the costs of investments and services are not passed on to future generations. Sound economic and fiscal policies also enable the Canadian economy to better respond to various economic shocks.

Budgetary Financial Resources (dollars)

2014–15 Planned Spending	2014–15 Actual Spending	2014–15 Difference (actual minus planned)
18,527,917	17,923,106	(604,811)

Human Resources (FTEs)

2014–15 Planned	2014–15 Actual	2014–15 Difference (actual minus planned)
70	69	(1)

Performance Results

Expected Results	Performance Indicators	Targets	Actual Results
Ministers and senior government officials have timely access to evidence-based analysis, research and advice on matters that impact the Government of Canada's economic and fiscal agenda.	Percentage of agreed upon deadlines for briefing material that were met.	90 per cent	100 per cent
	Degree to which overall findings of audits and/or evaluations are favourable.	Favourable	No audits or evaluations of this Sub-Program were conducted in 2014–15.

Performance Analysis and Lessons Learned

The Department of Finance Canada analyzed economic and fiscal developments in Canada and advised the Minister on the implications for the government's fiscal framework. As well, the Department provided the Minister with analysis on a wide range of economic and financial issues related to the government's policies, such as developments in oil prices and the housing market; conducted four surveys of private sector forecasters; and continued to assess potential risks to the economic outlook. The months of May and September represent the review period for the briefing material performance indicator.

Given the complex interaction between international and domestic economic and policy developments, the Department closely monitored economic developments in our major trading partners, particularly the United States and Europe. In addition, the Department took the lead role in facilitating the annual economic surveillance of Canada carried out by international organizations, such as the International Monetary Fund.

The Department's ability to interpret economic data and understand the implications of sector-specific policy actions on broader macroeconomic outcomes depends on having access to high-quality and timely data to aid in policy development and on having well-informed staff that is able to make use of this resource. An example was the Department's work over the past year on issues related to the Canadian housing market. The Department will continue work to ensure that it has access to quality data and that analysts have appropriate training in order to interpret and make use of such data.

For this Sub-Program, actual spending was less than planned spending. Advertising expenditures were lower than anticipated, but this was partially offset by paylist expenditures (parental and maternity allowances and entitlements on cessation of employment) and the government-wide payment in arrears initiative, which were not included in 2014–15 planned spending.

Sub-Program 1.1.3: Economic Development Policy

Description

This Sub-Program is responsible for fulfilling the challenge function of the Department of Finance Canada by monitoring major economic policy issues and proposals under development in the applicable departments, as well as providing policy advice to the Minister regarding the financial implications and relevance of the government's microeconomic policies and programs and proposals for the funding of programs. The Sub-Program focuses on monitoring research, economic developments and proposals, and developing regional and sectoral policy analysis in the areas of knowledge-based economy, defence, transportation, public infrastructure, environment, energy and resources, agriculture and fisheries. It also plays a lead role in advising on corporate restructuring affecting Crown corporations and other corporate holdings. To prepare the government's annual budget and estimate the size of the budget balance, the Department needs to assess and make recommendations on numerous proposals for new program spending emanating from government departments and the private sector. This activity is critical if the government is to make choices that contribute to advancing economic growth.

Budgetary Financial Resources (dollars)

2014–15 Planned Spending	2014–15 Actual Spending	2014–15 Difference (actual minus planned)
5,810,478	5,485,757	(324,721)

Human Resources (FTEs)

2014–15 Planned	2014–15 Actual	2014–15 Difference (actual minus planned)
44	41	(3)

Performance Results

Expected Results	Performance Indicators	Targets	Actual Results
Ministers and senior government officials have timely access to evidence-based analysis, research and advice on the fiscal and economic implications associated with sectoral and microeconomic policy.	Percentage of agreed upon deadlines for briefing material that were met.	90 per cent	95 per cent
	Degree to which overall findings of audits and/or evaluations are favourable.	Favourable	Favourable

Performance Analysis and Lessons Learned

The Department of Finance Canada provided ministers and senior officials with high-quality and timely analysis and advice on the fiscal and economic implications associated with sectoral, regional and microeconomic policy issues, policies and programs to assist in preparing for meetings of Cabinet and its committees and in developing the annual budget and fiscal update. The months of May and September represent the review period for the briefing material performance indicator.

The Department concluded the implementation phase of the Venture Capital Action Plan to catalyze a private sector-led venture capital sector in Canada. Over the reporting period, the Department participated actively in negotiations with interested provinces, private investors and private sector fund managers for the creation of three large-scale venture capital funds of funds.[vii]

The Department continued to systematically review and deliver advice on federally owned assets, to improve their efficiency and effectiveness and to ensure value for taxpayers.

The Department also led the development and coordination of a $5.8 billion federal infrastructure initiative announced in November 2014.

Findings in the 2014 Fall Report of the Auditor General of Canada[viii] regarding the Department of Finance Canada's role in providing support to the automotive sector were favourable. In particular, the Auditor General concluded that the Department prudently estimated the financial risks of providing support during the 2008 economic downturn.

The variance between actual and planned spending and the variance in FTEs for this Sub-Program are explained by higher than anticipated staff turnover.

Sub-Program 1.1.4: Federal-Provincial Relations and Social Policy

Description

This Sub-Program is responsible for coordinating federal-provincial fiscal arrangements between Canada and the provinces and territories that enable the funding of national priorities and support reasonably comparable services at reasonably comparable tax rates across the country. It is also responsible for fulfilling the challenge function of the Department by providing policy analysis and advice to the Minister regarding the fiscal and economic implications of the government's social policies and programs related to health care, immigration, justice and public safety, employment insurance and pensions, post-secondary education, Aboriginal and cultural programs, as well as programs for seniors, persons with disabilities, veterans and children. The Sub-Program conducts research and provides analysis and advice to the Minister and senior government officials to assist in preparation for meetings of Cabinet and its committees, the annual budget, fiscal updates, and responsibilities with respect to Employment Insurance and the Canada Pension Plan legislation. It is also responsible for preparing legislation and regulations under the responsibility of the Minister of Finance. Long-term, predictable, stable, transfer support for provinces and territories and improvements to the social policy framework contribute to improved public services for Canadians, support the quality of Canada's communities, health care, education and social safety net programs, and promote equality of opportunity for all citizens. At the same time, Canada's productivity and economic prosperity are enhanced by these supports and programs.

Budgetary Financial Resources (dollars)

2014–15 Planned Spending	2014–15 Actual Spending	2014–15 Difference (actual minus planned)
6,548,271	6,043,650	(504,621)

Human Resources (FTEs)

2014–15 Planned	2014–15 Actual	2014–15 Difference (actual minus planned)
51	47	(4)

Performance Results

Expected Results	Performance Indicators	Targets	Actual Results
Ministers and senior government officials have timely access to evidence-based analysis, research and advice on the fiscal and economic implications associated with federal-provincial relations and social policies, programs and issues.	Percentage of agreed upon deadlines for briefing material that were met.	90 per cent	92 per cent
	Degree to which overall findings of audits and/or evaluations are favourable	Favourable	No audits or evaluations of this Sub-Program were conducted in 2014–15.

Performance Analysis and Lessons Learned

The Department of Finance Canada provided the Minister and senior government officials with evidence-based analysis and advice on current and emerging issues related to social policy and major transfer payments. The months of May and September represent the review period for the briefing material performance indicator. By ensuring effective communication with other government departments and central agencies at all levels of officials, the Department has been proactive in identifying potential pressures and has been responsive in addressing emerging and urgent issues and policy development.

In particular, the Department provided analysis and recommendations leading to the inclusion of a significant number of new policy measures in the 2015 budget, such as the extension of the Employment Insurance Compassionate Care Benefits, the enrichment of the benefits and services provided to veterans, the introduction of new measures to improve national security, and the enhancement of Canada Student Loans and Canada Student Grants. The Department also prepared an Annex to the 2015 budget to describe how fiscal balance is being maintained in the federation.

The Department developed and maintained strong working relationships with provincial and territorial officials through the Canada Pension Plan Committee.

The Department routinely engaged provincial and territorial officials both bilaterally and through meetings of the Fiscal Arrangements Committee, the Transfers Sub-Committee and the Senior Financial Arrangements Committee Working Group. Internet-based conferencing has enabled a higher frequency of meetings.

At the Finance Ministers' Meeting of December 2014, provincial and territorial finance ministers were presented with their transfer amounts for 2015–16.

The variance between actual and planned spending and the variance in FTEs for this Sub-Program are explained by higher than anticipated staff turnover.

Sub-Program 1.1.5: Financial Sector Policy

Description

This Sub-Program ensures the overall stability, soundness, efficiency, and competitiveness of Canada's financial sector in support of strong, sustainable growth in the Canadian economy. This Sub-Program provides analysis of Canada's financial services sector and financial markets, and develops the legislative and regulatory framework governing federally regulated financial institutions (banks, trust companies, insurance companies, and co-operative credit associations) and federally regulated defined benefit pension plans. This Sub-Program is also responsible for issues related to anti-money laundering and anti-terrorist financing. It plays a lead role in conducting Canada's relations and negotiating Canada's commitments with foreign governments in the area of trade in financial services.

Budgetary Financial Resources (dollars)

2014–15 Planned Spending	2014–15 Actual Spending	2014–15 Difference (actual minus planned)
25,537,424	65,506,627	39,969,203

Human Resources (FTEs)

2014–15 Planned	2014–15 Actual	2014–15 Difference (actual minus planned)
92	90	(2)

Performance Results

Expected Results	Performance Indicators	Targets	Actual Results
Ministers and senior government officials have timely access to evidence-based analysis, research and advice on matters that impact the Government of Canada's financial sector policy agenda.	Percentage of agreed upon deadlines for briefing material that were met.	90 per cent	75 per cent
	Degree to which overall findings of audits and/or evaluations are favourable.	Favourable	No audits or evaluations of this Sub-Program were conducted in 2014–15.

Performance Analysis and Lessons Learned

The Department of Finance Canada continued to monitor economic developments in Canada and abroad and provided the Minister and senior government officials with high-quality analysis, research and advice on matters that impact the financial sector policy agenda. The months of May and September represent the review period for the briefing material performance indicator. Overall, 75 per cent of briefing notes prepared in May and September for the review period were delivered on or before the date requested, while an additional 11 per cent were delivered one day late. More recently, the Sub-Program has significantly improved its performance in meeting agreed upon deadlines.

The Department anticipated and prepared for evolving uncertainties associated with economic and financial markets outcomes—in particular, the risks associated with the vulnerabilities in the Canadian housing market. Through the Senior Advisory Committee, the Department worked closely with its partner agencies to identify key vulnerabilities to financial stability and potential responses.

The Department worked on legislative and regulatory proposals to reinforce the stability of the financial sector, to strengthen Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime, to support retirement savings, to protect Canadian consumers, and to strengthen the governance of Canada's payments sector. It conducted research and analysis and evaluated policy proposals related to a variety of issues, including the capital markets regulatory framework, and improving market discipline in, and reducing taxpayer exposure to, the housing sector. In the 2015 budget, the government proposed to amend the *Bank Act* to implement a comprehensive financial consumer code to strengthen and modernize the financial consumer framework and respond to the diverse needs of Canadians.

The Department and its partner agencies continued to work closely with the international community on the elaboration and implementation of the G20 financial sector reform agenda. Work in this area included the proposal in the 2015 budget to implement a Taxpayer Protection and Bank Recapitalization Regime for Canada's systemically important banks.

The Department supported the government's collaborative efforts with British Columbia, Ontario, Saskatchewan, New Brunswick, Prince Edward Island and Yukon to establish a Cooperative Capital Markets Regulatory System. On September 8, 2014, participating jurisdictions confirmed their commitment to the Cooperative System by signing a memorandum of agreement, and released draft provincial capital markets legislation and complementary federal legislation for public comment.

Despite Canada's relatively strong financial sector performance, the recent international financial turmoil has demonstrated the need for the government to ensure that it is equipped with a broad range of flexible tools to safeguard financial stability and to address potential problems in financial markets as they arise. Resources were allocated to the examination of systemic vulnerabilities in a number of areas, in particular the housing sector, and of other potential risks to the financial sector. A contingency plan was updated on an ongoing basis, and legislative and regulatory measures were developed and reviewed to mitigate risk.

Actual spending for this Sub-Program exceeded planned spending primarily because of $44 million in payments to the Canadian Securities Regulation Regime Transition Office that were not included in the 2014–15 Report on Plans and Priorities, reflecting the timing of the funding request from the Transition Office. This was partially offset by operating expenditures that were $4 million lower than planned, primarily related to 2013 budget initiatives (Cooperative Capital Markets Regulator, comprehensive financial consumer code, Target Benefit Plans). As well, 2014–15 planned legal services expenditures included under Financial Sector Policy Sub-Program are now charged to Internal Services, as required by the *Guide on Internal Services Expenditures: Recording, Reporting and Attributing*.

Sub-Program 1.1.6: International Trade and Finance

Description

The aim of this Sub-Program is to promote sustainable international economic growth and financial stability, secure access to key markets for Canadian exporters and investors and to reduce tariffs where possible in order to enhance the competitiveness of domestic industries and expand commercial opportunities for them. This Sub-Program also manages the Department's participation in international financial institutions such as the IMF, World Bank, and the European Bank for Reconstruction and Development, and international economic coordination groups such as the G7, G20, and the Asia-Pacific Economic Co-operation forum. Canada's

economic performance and future prosperity depend on a strong and stable global economy, as well as trade and investment flows supported by high standards of multilateral, regional, and bilateral trade and investment agreements. Canadian leadership and influence on international economic, financial, development, and trade issues increase financial and economic stability.

Budgetary Financial Resources (dollars)

2014–15 Planned Spending	2014–15 Actual Spending	2014–15 Difference (actual minus planned)
9,086,267	8,428,701	(657,566)

Human Resources (FTEs)

2014–15 Planned	2014–15 Actual	2014–15 Difference (actual minus planned)
68	58	(10)

Performance Results

Expected Results	Performance Indicators	Targets	Actual Results
Ministers and senior government officials have timely access to evidence-based analysis, research and advice on matters that impact the Government of Canada's international trade and finance policy agenda.	Percentage of agreed upon deadlines for briefing material that were met.	90 per cent	79 per cent
	Degree to which overall findings of audits and/or evaluations are favourable.	Favourable	No audits or evaluations of this Sub-Program were conducted in 2014–15.

Performance Analysis and Lessons Learned

The Department of Finance Canada closely monitored global economic conditions, including heightened risks to stability, and provided the Minister and key decision makers with high-quality and evidence-based analysis and advice. The months of May and September represent the review period for the briefing material performance indicator. Key reasons for the missed target in providing briefing material include delays in receiving required information from external sources (for example, G20 material) and the fact that rapidly evolving events necessitated delays in briefing material in order to provide the most recent and accurate

information. Where the agreed upon deadlines were not met, briefing material was nevertheless provided in a sufficiently timely manner to be used for the intended purposes.

Over the reporting period, the ongoing and elevated risk emanating from the evolving situation in Greece, volatility in global financial markets, exchange rate realignments and the geopolitical crisis in Ukraine involving Russia underscored the importance of high-level engagement and dialogue at international forums and quick responses to complex economic developments and emerging risks. The Department's capacity to monitor macroeconomic developments continued to be enhanced in 2014–15, with a particular focus on emerging market volatility, the persistent low inflation rate in Europe and quantitative easing by the European Central Bank, the impact of the fall in global oil prices, geopolitical tensions in Ukraine, and the financial crisis in Greece. Strengthened analytical capacity has been key to ensuring that the Minister and senior officials are well briefed and effectively promote Canada's position internationally.

As co-chair of the Working Group on the G20 Framework for Strong, Sustainable and Balanced Growth, Canada played a catalytic role in the development of comprehensive growth strategies by G20 members, which aim to lift G20 gross domestic product by 2 per cent by 2018. These strategies were a key deliverable for the 2014 G20 Leaders' Summit and will continue to be supported by the G20. Canada also played an active and critical role in ensuring that the Action Plan delivered by G20 Leaders reflected a strong and effective response to the short- and medium-term challenges facing G20 members.

The Department provided policy advice related to the International Assistance Envelope, including aid-effectiveness policies, and supported Canada's leadership role at major multilateral development banks by engaging with shareholders, providing advice to Executive Directors, and following through on multilateral debt relief and replenishment commitments. The Department also supported Canada's efforts to promote economic and social stability in Ukraine by facilitating the provision of $400 million in low-interest loans to the country's newly elected government.

The Department continued to support the government's bilateral and regional trade agenda—notably, the ongoing trade negotiations with Trans-Pacific Partnership countries and the implementation of legislation for the Canada-Korea free trade agreement. In addition, the Department continued to implement and assess tariff measures announced in the 2014 budget through legislation and regulation processes.

The Department continued to improve its knowledge management systems and practices. A new approval process for the Minister was adopted following an Office of the Auditor General recommendation that federal departments should demonstrate how funding provided to

multilateral organizations and reported as Official Development Assistance meets the three conditions of section 4(1) of the *Official Development Assistance Accountability Act*.

The variance between actual and planned spending and the variance in FTEs for this Sub-Program are explained by higher than anticipated staff turnover.

Program 1.2: Transfer and Taxation Payment Programs

Description

The Department of Finance Canada mandate includes the supervision, control and direction of all matters relating to the financial affairs of Canada that are not by law assigned to the Treasury Board or any other Minister. This Program includes the administration and payment of transfers to provinces and territories, including fiscal equalization, the Canada Health Transfer and the Canada Social Transfer, in support of health and social programs and other shared priorities. In addition, it includes the administration of taxation payments to provinces and territories as well as to Aboriginal governments in accordance with legislation and negotiated agreements. Also included in this Program are commitments and agreements with international financial organizations aimed at supporting the economic advancement of developing countries. In addition, from time to time, the federal government will enter into agreements or enact legislation to respond to unforeseen pressures. These commitments can result in payments, generally statutory transfer payments, to a variety of recipients, including individuals, organizations, and other levels of government.

Budgetary Financial Resources (dollars)

2014–15 Main Estimates	2014–15 Planned Spending	2014–15 Total Authorities Available for Use	2014–15 Actual Spending (authorities used)	2014–15 Difference (actual minus planned)
61,060,094,306	61,060,094,306	61,971,275,326	61,902,703,494	842,609,188

Human Resources (FTEs)

2014–15 Planned	2014–15 Actual	2014–15 Difference (actual minus planned)
0	0	0

Note: Full-time equivalents for this Program and its related Sub-Programs are not shown separately but are instead incorporated into the FTE count for Program 1.1 (Economic and Fiscal Policy Framework).

Performance Results

Expected Results	Performance Indicators	Targets	Actual Results
The Government of Canada meets its transfer and taxation payment commitments.	Degree to which the Government of Canada is meeting its transfer and taxation payment commitments.	Met	Met

Performance Analysis and Lessons Learned

The Department of Finance Canada administered transfer payments to provinces and territories as set out in legislation and managed the payment of amounts to provinces, territories and Aboriginal governments in accordance with the terms and conditions established in the Tax Collection Agreements, Tax Administration Agreements, Comprehensive Integrated Tax Coordination Agreements, the *Federal-Provincial Fiscal Arrangements Act* and the *First Nations Goods and Services Tax Act*.

The federal government provided almost $65 billion to provinces and territories for the Canada Health Transfer, the Canada Social Transfer, Equalization and Territorial Formula Financing. The Department will continue to ensure that payments to provincial and territorial governments are made on time and in compliance with legislation and regulations.

The Department also met all its transfer payment commitments to international financial organizations. In addition, the Department facilitated the provision of $400 million in two loans to help Ukraine stabilize its economy and promote social development. The loans, provided under the Minister of Finance's authority under the *Bretton Woods and Related Agreements Act*, were disbursed by Export Development Canada acting as the government's agent. By facilitating the loans, the Department helped the Government of Canada meet its transfer payment commitment to Ukraine.

Actual spending for the Transfer and Taxation Payment Programs Program was $843 million more than planned. This variance was mainly due to the timing of payments made to the International Development Association as a result of changes in the payment mechanism from demand notes to direct payments, and to $367 million in transfer payments to provinces that were not included in the 2014–15 Report on Plans and Priorities. These payments consisted of $169 million for the Establishment of a Canadian Securities Regulation Regime and Canadian Regulatory Authority, $103 million for Fiscal Stabilization, and $95 million for the Incentive for Provinces to Eliminate Taxes on Capital. These transfer payments were not included in the 2014–15 Report on Plans and Priorities because final calculations were not complete prior to its

publication or because other government jurisdictions had not met all of the legislative requirements for payment at that time.

Sub-Program 1.2.1: Fiscal Arrangements with Provinces and Territories

Description

In accordance with the *Federal-Provincial Fiscal Arrangements Act*, and other related Acts and regulations, this Sub-Program administers transfer payments to provinces and territories as set out in legislation, including fiscal equalization, Territorial Formula Financing, and support for health and social programs through the Canada Health Transfer and the Canada Social Transfer. Long-term, predictable, stable transfer support for the provinces and territories contributes to improved public services for Canadians and supports the quality of life in Canada's communities. In addition, from time to time, the federal government may provide additional, time-limited, targeted support to provinces and territories in areas of shared priorities.

Budgetary Financial Resources (dollars)

2014–15 Planned Spending	2014–15 Actual Spending	2014–15 Difference (actual minus planned)
60,552,284,305	60,878,093,490	325,809,185

Performance Results

Expected Results	Performance Indicators	Targets	Actual Results
Fiscal arrangements with provinces and territories are efficiently managed.	Percentage of payments reviewed that did not reveal errors.	100 per cent	100 per cent
	Percentage of payments that were made within the required time frames.	100 per cent	100 per cent

Performance Analysis and Lessons Learned

The Department of Finance Canada continued to manage the major transfer payment programs in support of fiscal arrangements with provinces and territories. All payments made to provinces and territories were timely and accurate. No areas of internal control weakness were identified through internal testing of key control points during the reporting period.

The Department's Internal Audit and Evaluation Division completed the Audit of the Control Framework for Transfer Payments[ix] in December 2014. The audit concluded that the Department has effective controls to ensure that transfer payment transactions are authorized in accordance with legislative requirements and delegated authorities; effective controls to ensure that transfer payment transactions are recorded accurately and in a timely manner; effective internal controls over financial reporting for transfer payments; and an effective ongoing monitoring program in support of the transfer payment process.

Actual spending was higher than planned spending because some transfer payments amounts were finalized only following the publication of the 2014–15 Report on Plans and Priorities. These payments consisted of $169 million for the Establishment of a Canadian Securities Regulation Regime and Canadian Regulatory Authority, $103 million for Fiscal Stabilization, and $95 million for the Incentive for Provinces to Eliminate Taxes on Capital.

Sub-Program 1.2.2: Tax Collection and Administration Agreements

Description

This Sub-Program manages the payment of amounts to provinces, territories and Aboriginal governments in accordance with the terms and conditions established in the Tax Collection and Tax Administration Agreements, the *Federal-Provincial Fiscal Arrangements Act* and the *First Nations Goods and Services Tax Act*. This includes payments related to provincial and territorial personal income tax and corporate income tax as well as Aboriginal sales and income taxes.

Tax collection agreements with provinces and territories allow the federal government to streamline service and reduce compliance and administrative costs by having a single tax form and a single tax collector. Tax administration agreements with Aboriginal governments allow the federal government to vacate and share a negotiated portion of its Goods and Services Tax and personal income tax room with Aboriginal governments and to administer Aboriginal tax regimes.

Budgetary Financial Resources (dollars)

2014–15 Planned Spending	2014–15 Actual Spending	2014–15 Difference (actual minus planned)
0	0	0

Note: No financial resources are shown for this Sub-Program because it relates to Tax Collection Agreements and Tax Administration Agreements whereby the federal government administers certain taxes on behalf of participating provinces, territories and Aboriginal governments, and then transfers amounts to those governments on whose behalf the taxes were administered.

Performance Results

Expected Results	Performance Indicators	Targets	Actual Results
Tax collection and administration obligations/arrangements are efficiently managed.	Percentage of payments reviewed that did not reveal errors.	100 per cent	100 per cent
	Percentage of payments that were made within the required time frames.	100 per cent	100 per cent

Performance Analysis and Lessons Learned

The Department of Finance Canada continued to work with provinces and territories to improve and enhance the application and administration of the Tax Collection Agreements. The Department also continued to work with the Office of the Auditor General on the annual audit of payments made under the Tax Collection Agreements and the Comprehensive Integrated Tax Coordination Agreements, as well as on the annual reports prepared under specified auditing procedures for Tax Administration Agreements with Aboriginal governments.

The Department continued to work with the Harmonized Sales Tax (HST) provinces through the Tax Policy Review Committee and the Revenue Allocation Sub-Committee to discuss operation of the HST.

Following reviews of the First Nations Goods and Services Tax Administration Agreements and the First Nations Personal Income Tax Administration Agreements, changes continued to be implemented to simplify the agreements and decrease the administrative burden.

With respect to Tax Administration Agreements, the Department participated in more than 10 negotiation tables. The Department also facilitated potential sales tax arrangements between provinces and Indian bands.

The Department made all payments in accordance with the terms and conditions of the agreements and in accordance with the schedules or timing set out in the agreements. No external audit issues have been noted. Departmental internal testing of key control points did not identify any areas of internal control weakness.

Sub-Program 1.2.3: Commitments to International Financial Organizations

Description

This Sub-Program administers Canada's international financial commitments associated with Paris Club and the Canadian Debt Initiative (CDI) debt rescheduling agreements and for financial support to international organizations. It administers transfer payments to Export Development Canada (EDC) and the Canadian Wheat Board (CWB) in order to compensate these agencies when their scheduled receipts from debtor countries have been reduced by Canada's participation in Paris Club debt or debt service reduction agreements and/or the CDI. It also administers Canada's commitments under the Multilateral Debt Relief Initiative (MDRI). These payments compensate the IMF, the World Bank and the African Development Fund for cancelling debt owed to them by heavily indebted poor countries. The objective of bilateral and multilateral debt relief is to reduce the debt load of developing countries, put them back onto a path of financial sustainability and to free up resources in their national budgets to support their development objectives. This Sub-Program also administers the issuance and encashment of demand notes and capital subscriptions for Canada's commitments with international financial institutions, such as the International Development Association (IDA) and the European Bank for Reconstruction and Development (EBRD), to enable these institutions to fulfill their mandate.

Budgetary Financial Resources (dollars)

2014–15 Planned Spending	2014–15 Actual Spending	2014–15 Difference (actual minus planned)
502,810,001	944,420,000	441,609,999

Performance Results

Expected Results	Performance Indicators	Targets	Actual Results
Commitments to international financial organizations are efficiently funded.	Percentage of payments reviewed that did not reveal errors.	100 per cent	100 per cent
	Percentage of payments that were made within the required time frames.	100 per cent	100 per cent

Performance Analysis and Lessons Learned

The Department of Finance Canada fulfilled its commitments to international financial organizations. In April 2014, the Department made its last of three International Development Association (IDA) payments ($441.6 million) to the World Bank Group under the IDA16 replenishment period. In January 2015, the Department made its first of three annual payments to the World Bank Group ($441.6 million) under the IDA17 replenishment period.

The Department provided $51.2 million to the Multilateral Debt Relief Initiative through the World Bank Group, and $10 million toward the AgResults initiative via the World Bank Group.

Internal review showed that all payments were made in a timely manner, and no errors were revealed. No issues were noted by the World Bank Group.

Actual spending was $441.6 million more than planned spending. This amount represents Canada's first of three annual installments under the 17th International Development Association (IDA) replenishment period. The variance was due to a change in the financial instrument for IDA payments, from demand notes to direct payments, resulting in Canada's annual payments being made in January rather than in April. Canada's annual contribution to the IDA has not changed, and there was no budgetary impact.

Sub-Program 1.2.4: Receipts From and Payments to Individuals and Organizations

Description

From time to time, the Government will enter into agreements or legislation to provide targeted support to individuals and organizations to address unforeseen priorities arising from current events. This Sub-Program manages the payment of such commitments in accordance with the agreed to terms and conditions.

Budgetary Financial Resources (dollars)

2014–15 Planned Spending	2014–15 Actual Spending	2014–15 Difference (actual minus planned)
5,000,000	80,190,004	75,190,004

Performance Results

Expected Results	Performance Indicators	Targets	Actual Results
Payments owed to and due from individuals and organizations are efficiently managed.	Percentage of payments reviewed that did not reveal errors.	100 per cent	100 per cent
	Percentage of payments that were made within the required time frames.	100 per cent	100 per cent

Performance Analysis and Lessons Learned

Under this Sub-Program, the Harbourfront Centre Funding Program annually provides $5 million to cover a portion of Harbourfront Centre's operating costs, allowing it to provide the general public with continued access to cultural, educational and recreational activities. Harbourfront Centre receives approximately 17 million visits annually, up from 12 million in 2006. Error-free payments were made within the required time frames.

The Department of Finance Canada completed an evaluation of the Harbourfront Centre Funding Program[x] in December 2014. The evaluation found that the Program is achieving its stated outcomes, is being effectively implemented, and continues to deliver sound value for money.

The 2015 budget announced that the Harbourfront Centre Funding Program will be renewed, with $25 million to be provided to Harbourfront Centre over five years beginning in 2016–17.

The increase in actual spending over planned spending is attributable to $75 million in expenditures related to foreign exchange losses. Given the nature of foreign exchange rate fluctuations, these amounts were not specifically forecast in the *2014–15 Report on Plans and Priorities*.

Program 1.3: Treasury and Financial Affairs

Description

This Program contributes to the Government of Canada's effective debt and other cost management on behalf of Canadians. It provides direction for Canada's debt management activities, including the funding of interest costs for the debt and service costs for new borrowings. In addition, the Program manages investments in financial assets needed to establish a prudent liquidity position. This Program supports the ongoing refinancing of government debt coming to maturity, the execution of the budget plan, and other financial operations of the government, including governance of the borrowing activities of major government-backed entities, such as Crown corporations. This Program is also responsible for the system of circulating Canadian currency (banknotes and coins) to ensure efficient trade and commerce across Canada.

Budgetary Financial Resources (dollars)

2014–15 Main Estimates	2014–15 Planned Spending	2014–15 Total Authorities Available for Use	2014–15 Actual Spending (authorities used)	2014–15 Difference (actual minus planned)
26,419,500,000	26,419,500,000	23,600,697,770	23,600,697,770	(2,818,802,230)

Human Resources (FTEs)

2014–15 Planned	2014–15 Actual	2014–15 Difference (actual minus planned)
25	26	1

Note: Full-time equivalents for Sub-Programs 1.3.2, 1.3.3 and 1.3.4 are incorporated into the FTE count for Sub-Program 1.3.1.

Performance Results

Expected Results	Performance Indicators	Targets	Actual Results
The treasury and financial affairs of the Government of Canada are well managed.	Percentage of recommendations and agreed upon areas for improvement following evaluations that are on track or have been implemented within the planned time frames.	100 per cent	100 per cent

Performance Analysis and Lessons Learned

The Department of Finance Canada worked with the Bank of Canada to proactively manage the debt and international reserves of the Government of Canada and to provide policy advice on activity in the domestic capital markets, ensuring that the treasury and financial affairs of the Government of Canada were well managed. Continual learning and improvement continued to be promoted by the implementation of evaluation findings.

In any given year, the Treasury and Financial Affairs Program may undergo an independent audit conducted by the Office of the Auditor General of Canada, as well as an internal audit or evaluation conducted by the Department. Evaluations and audits serve to inform senior management of any needed program improvements and contribute to improved risk management, control, resource management and governance processes. The degree to which audit and evaluation findings determine that these processes are effective and sound or exemplify good practices serves to inform senior government officials, ministers and the public of their success in designing or managing programs to achieve their program objectives or policy goals. Audits and evaluations also serve to inform Canadians and provide transparency on government operations and programs. Progress made on recommendations and agreed upon areas for improvement are effectively managed and tracked within the Department.

The Department implemented two recommendations from the 2013 Evaluation of the Crown Borrowing Program, which were scheduled to be implemented in 2014–15.[xi] This program was created to centralize the borrowing activities of some major federal-backed entities in a cost-effective and economically efficient manner and to enhance the functioning and liquidity of the government debt market. Following-up on the recommendations for 2014–15, the Department and the Crown corporations created a process to study and consider ways to net cash flows within the Crown Borrowing Program. The Department also worked with Crown corporations to modify the Transaction Management System to more easily input amortizing loan structures.

Actual spending in the Treasury and Financial Affairs Program was $2.8 billion lower than planned spending. Two factors accounted for this variance: lower interest rates in 2014–15 than were anticipated by private sector economists at the time of the 2013 Update of Economic and Fiscal Projections; and a change in accounting policy for unamortized premiums and discounts arising from the buyback of bonds.

Sub-Program 1.3.1: Federal Debt Management

Description

The government's debt management program includes the payment of interest costs on existing debt instruments and the servicing costs for new borrowings. The *Financial Administration Act*, Part IV, provides authority to the Minister of Finance to borrow in financial markets. The debt instruments of the Government include bonds, Treasury bills, Canada Savings Bonds, pension plans and accounts payables.

Budgetary Financial Resources (dollars)

2014–15 Planned Spending	2014–15 Actual Spending	2014–15 Difference (actual minus planned)
26,297,000,000	23,910,534,651	(2,386,465,349)

Human Resources (FTEs)

2014–15 Planned	2014–15 Actual	2014–15 Difference (actual minus planned)
25	26	1

Performance Results

Expected Results	Performance Indicators	Targets	Actual Results
The Government of Canada is able to fund its financial requirements on a timely and effective basis.	Percentage of funding requirements met within the required time frames.	100 per cent	100 per cent
	Ratio of auctions that are fully covered (Bid cover ratio).	1 or higher	1

Performance Analysis and Lessons Learned

The Department of Finance Canada ensured that the government's borrowing was cost-effective and that treasury management was aligned with leading risk management practices.

The government's medium-term debt strategy and debt management strategy ensured that funds continued to be raised and managed in a prudent and cost-effective manner. A description of the medium-term debt strategy and projections for a number of debt management metrics can be found in the Debt Management Strategy for 2014–15.[xii]

Funding to meet government financial requirements was raised in a timely manner and in quantities sufficient to meet operational needs. Borrowing operations were successful in raising funds in a stable and cost-effective manner. All auctions were more than fully covered. A schedule of bond operations was released before the start of each quarter. The government issued securities in all of the key maturity sectors (3-, 6- and 12-month Treasury bills; 2-, 3-, 5-, 10- and 30-year nominal bonds; and Real Return Bonds), and issued 50-year bonds for the first time. Detailed accounts of Government of Canada bond and Treasury bill operations are available on the Bank of Canada website.[xiii] Publication of the *Public Accounts of Canada 2015* and the Debt Management Report for 2014–15 will provide further details on federal debt management.

Actual spending for the Federal Debt Management Sub-Program was $2.4 billion less than planned spending. Two principal factors accounted for this variance: interest rates in 2014–15 were lower than anticipated by private sector economists at the time of the 2013 Update of Economic and Fiscal Projections; and a change in accounting policy for bond buybacks resulted in discounts and premiums on buybacks being recorded in the year in which the buybacks occur. Previously, discounts and premiums were amortized over time. This change in accounting policy was not anticipated at the time the forecast was prepared and resulted in a downward adjustment to Interest on Unmatured Debt.

Sub-Program 1.3.2: Major Federal-Backed Entities' Borrowing

Description

This Sub-Program governs the borrowing activities for the major government entities that are backed by the full faith and credit of the government such as Crown corporations and similar entities. It ensures their borrowing is cost-effective and in keeping with the principles of prudent risk management. Major federal-backed entities' borrowing enables the government as a whole to reduce the overall cost of interest on government debt.

Budgetary Financial Resources (dollars)

2014–15 Planned Spending	2014–15 Actual Spending	2014–15 Difference (actual minus planned)
0	0	0

Note: No financial resources are shown for this Sub-Program because the associated resources are non-budgetary (loans, investments and advances) and excluded in accordance with reporting guidelines.

Performance Results

Expected Results	Performance Indicators	Targets	Actual Results
The Government of Canada is able to provide funding to federal government entities on a timely and effective basis.	Ratio of administrative costs of the Crown Borrowing Program to those of a comparable lending desk in the private sector.	1 or below	Below 1

Performance Analysis and Lessons Learned

The Department of Finance Canada worked closely with stakeholders to ensure that the government achieved its objective of providing timely, cost-effective and well-managed funding for Crown corporations and other entities. All cash requirements of major federal-backed entities were met on time, and administrative costs of the Crown Borrowing Program were less than those of a comparable lending desk in the private sector.

Sub-Program 1.3.3: Prudential Liquidity and Reserves Management

Description

Prudential liquidity and reserves management involves maintaining domestic cash deposits at the Bank of Canada and financial institutions and the acquisition and management of cash reserves, loans, investments and advances in the Foreign Exchange Account of the government. This Sub-Program safeguards the government's ability to meet payment obligations in situations where normal access to funding markets may be disrupted and promotes foreign currency liquidity and orderly conditions for the Canadian dollar in the foreign exchange markets, if needed.

Budgetary Financial Resources (dollars)

2014–15 Planned Spending	2014–15 Actual Spending	2014–15 Difference (actual minus planned)
0	(415,508,431)	(415,508,431)

Note: The forecast for these expenditures is included in Sub-Program 1.3.1, consistent with the forecast provided in the *2014–15 Main Estimates* for "Interest on Unmatured Debt" and "Other Interest Costs."

Performance Results

Expected Results	Performance Indicators	Targets	Actual Results
The Government of Canada is able to meet its liquidity needs on a timely and effective basis.	Percentage of weeks that the prudential target liquidity level of 20 business days is met.	100 per cent	100 per cent
	Level of liquid reserves as a percentage of nominal GDP.	3 per cent	3 per cent

Performance Analysis and Lessons Learned

The government consistently met its prudential liquidity reserves target. The government and the Bank of Canada introduced an operational floor, which is used as a monitoring tool to ensure that the 3 per cent of gross domestic product (GDP) metric is met throughout the year.

Further information on reserves management is available in the *Public Accounts of Canada* 2015[xiv] and the Report on the Management of the Official International Reserves.[xv] The Prudential Liquidity and Reserves Management Sub-Program encompasses accounting and financial transactions relating to Canada's foreign reserve assets, commitments to the International Monetary Fund (IMF), and other domestic and foreign currency transactions, including collateral management and hedging activities to reduce financial risk. Year-to-year variance on amounts relating to these transactions can be attributed to changes in foreign market conditions (notably exchange rates and interest rates) and their impact on reserves and IMF program activities, and to unplanned transactional activities of the government involving foreign exchange.

Sub-Program 1.3.4: Domestic Currency System

Description

This Sub-Program is responsible for the system of circulating Canadian currency (banknotes and coins) to meet the needs of the economy. The Department provides advice to the Minister on the currency system, which involves the production of banknotes by the Bank of Canada and the circulation of coinage by the Royal Canadian Mint. This partly entails the negotiation and oversight of the payment of production and distribution costs in the domain of domestic circulating coinage.

Budgetary Financial Resources (dollars)

2014–15 Planned Spending	2014–15 Actual Spending	2014–15 Difference (actual minus planned)
122,500,000	105,671,550	(16,828,450)

Performance Results

Expected Results	Performance Indicators	Targets	Actual Results
Canada has an adequate supply of domestic currency to meet the needs of its economy.	Percentage of payments that were made within the required time frames (7 business days).	90 per cent	100 per cent
	Percentage of price and volume limit commitments met under the Memorandum of Understanding with the Royal Canadian Mint.	100 per cent	100 per cent

Performance Analysis and Lessons Learned

Canada had an adequate supply of domestic currency to meet the needs of its economy. No shortages were reported by financial institutions, and payments were made within the required time frames.

The supply of domestic coinage was carried out according to the terms of the Memorandum of Understanding with the Royal Canadian Mint (for example, with respect to pricing and maintaining inventory levels). Commitments itemized in the Memorandum of Understanding with the Royal Canadian Mint were fully met.

Actual spending was lower than planned spending because of lower special circulation coin costs, higher metal recovery totals, lower penny processing costs and lower production costs.

Internal Services

Description

Internal Services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. These groups are Management and Oversight Services, Communications Services, Legal Services, Human Resources Management Services, Financial Management Services, Information Management Services, Information Technology Services, Real Property Services, Materiel Services, Acquisition Services, and Travel and Other Administrative Services. Internal Services include only those activities and resources that apply across an organization and not those provided to a specific program.

Budgetary Financial Resources (dollars)

2014–15 Main Estimates	2014–15 Planned Spending	2014–15 Total Authorities Available for Use	2014–15 Actual Spending (authorities used)	2014–15 Difference (actual minus planned)
49,296,145	49,296,145	55,290,836	54,866,622	5,570,477

Human Resources (FTEs)

2014–15 Planned	2014–15 Actual	2014–15 Difference (actual minus planned)
268	286	18

Performance Analysis and Lessons Learned

Ensuring sound resources management, operational improvements and efficiencies

Management practices and business processes were enhanced to support the delivery of the Department of Finance Canada's economic and fiscal agenda.

The Department began implementing its Blueprint 2020 action plan in 2014–15 and made achievements in its three identified portfolios: infrastructure, people and policy. The implemented Blueprint 2020 action plan activities have supported increased departmental efficiencies and productivity. The Department has also contributed to Destination 2020 priorities, including crowdsourcing innovation, virtual collaboration and connecting employees with senior management.

The Department continued to promote excellence in human resources management by leveraging its annual departmental University Recruitment Campaign and by continuing four wide-ranging professional development programs, all of which were sponsored by senior management-level champions. Excellence was also promoted by supporting the departmental people management priorities. The support resulted in the following key achievements:

- The implementation of revised candidate assessment methods for the departmental annual University Recruitment Campaign;
- On-the-job learning opportunities for nearly 20 per cent of employees;
- The completion of an upward feedback survey; and
- The implementation of a new competency profile to be used in selection processes for professional administrative support staff.

In alignment with the Government of Canada's new *Directive on Performance Management,* the Department standardized its performance management process and delivered training to human resources advisors who provide advice and guidance to managers. Information sessions were also provided to employees and managers to support the implementation of the Treasury Board *Directive on Performance Management*.

The Department completed a partial transfer of pay accounts to the Public Service Pay Centre on schedule in February 2015. Monthly departmental dashboards show the highest levels of readiness and data quality in preparation for the full transfer of pay accounts and the Phoenix implementation scheduled for October 2015.

In the 2014–15 Management Accountability Framework results, the Department was identified as demonstrating two notable practices. The first was for the maturity level of its financial management internal control regime; the second was for the management of integrated risk, planning and performance. The Department's results in the area of people management improved on most measures and were generally higher than the average for large departments. The Department had some of the strongest 2014 Public Service Employee Survey results.

Ensuring a secure and reliable information technology infrastructure and implementing a collaborative, client-focused approach for information management

The Executive Committee approved a three-year departmental IM/IT Strategic Plan (2014–17) that identifies priority projects for the Department, including the development of tools, applications and knowledge to enable collaboration and innovation in a digital business operating environment. The plan strengthened the alignment of departmental priorities with those of the Government of Canada.

A review of the governance of the departmental Management Advisory Committee was undertaken, and the scope of the Committee was broadened to include oversight responsibility for IM/IT. This review also led to the establishment of an IM/IT Consultation Group, whose members include senior representatives from business areas, to better align the government's transformation agenda with business priorities and to engage the Department in transitioning to electronic information management.

A recordkeeping implementation plan has been developed to advance departmental compliance with the Treasury Board *Directive on Recordkeeping*. The Department is identifying resource requirements for executing the implementation plan and advancing recordkeeping maturity. Full compliance is dependent on the implementation of an Electronic Documents and Records Management System.

Actual spending for Internal Services exceeded planned spending by $5.6 million as a result of expenditures funded through the Supplementary Estimates process. These expenditures included funding for the 90 Elgin Crown Site redevelopment project and carry-forward funding of various corporate initiatives supporting all programs and paylist expenditures (parental and maternity allowances and entitlements on cessation of employment).

Section III: Supplementary Information

Financial Statements Highlights

Condensed Statement of Operations (unaudited)
For the Year Ended March 31, 2015
(dollars)

Financial Information	2014–15 Planned Results	2014–15 Actual	2013–14 Actual	Difference (2014–15 actual minus 2014–15 planned)	Difference (2014–15 actual minus 2013–14 actual)
Total expenses	87,628,961,158	85,713,042,119	84,617,642,248	(1,915,919,039)	1,095,399,871
Total revenues	81,744	101,777	82,065	20,033	19,712
Net cost of operations before government funding and transfers	87,628,879,414	85,712,940,342	84,617,560,183	(1,915,939,072)	1,095,380,159

Condensed Statement of Financial Position (unaudited)
As at March 31, 2015
(dollars)

Financial Information	2014–15	2013–14	Difference (2014–15 minus 2013–14)
Total net liabilities	667,122,799,932	661,976,377,821	5,146,422,111
Total net financial assets	141,551,467,738	133,454,245,347	8,097,222,391
Departmental net debt	525,571,332,194	528,522,132,474	(2,950,800,280)
Total non-financial assets	17,044,075	10,184,227	6,859,848
Departmental net financial position	(525,554,288,119)	(528,511,948,247)	2,957,660,128

Financial Statements

The Department of Finance Canada's Financial Statements (Unaudited) for the year Ended March 31, 2015, can be found on the departmental website.[xvi]

Supplementary Information Tables

The supplementary information tables listed in the 2014–15 Departmental Performance Report are available on the Department of Finance Canada's website.[xvii]

- Departmental Sustainable Development Strategy;
- Details on Transfer Payment Programs of $5 Million or More;
- Horizontal Initiatives;
- Internal Audits and Evaluations; and
- Response to Parliamentary Committees and External Audits.

Tax Expenditures and Evaluations

The tax system can be used to achieve public policy objectives through the application of special measures such as low tax rates, exemptions, deductions, deferrals and credits. The Department of Finance Canada publishes cost estimates and projections for these measures annually in the Tax Expenditures and Evaluations[xviii] publication. The tax measures presented in the Tax Expenditures and Evaluations publication are the responsibility of the Minister of Finance.

Section IV: Organizational Contact Information

Department of Finance Canada
14th Floor
90 Elgin Street
Ottawa, Ontario K1A 0G5

Phone: 613-369-3710
Facsimile: 613-369-4065
TTY: 613-995-1455
Email: fin.financepublic-financepublique.fin@canada.ca

Media Enquiries
Phone: 613-369-4000

Comments or questions regarding Department of Finance Canada publications and budget documents
Email: fin.financepublic-financepublique.fin@canada.ca

Appendix: Definitions

appropriation (*crédit*): Any authority of Parliament to pay money out of the Consolidated Revenue Fund.

budgetary expenditures (*dépenses budgétaires*): Includes operating and capital expenditures; transfer payments to other levels of government, organizations or individuals; and payments to Crown corporations.

Departmental Performance Report (*rapport ministériel sur le rendement*): Reports on an appropriated organization's actual accomplishments against the plans, priorities and expected results set out in the corresponding Report on Plans and Priorities. These reports are tabled in Parliament in the fall.

full-time equivalent (*équivalent temps plein*): Is a measure of the extent to which an employee represents a full person-year charge against a departmental budget. Full-time equivalents are calculated as a ratio of assigned hours of work to scheduled hours of work. Scheduled hours of work are set out in collective agreements.

Government of Canada outcomes (*résultats du gouvernement du Canada*): A set of 16 high-level objectives defined for the government as a whole, grouped in four spending areas: economic affairs, social affairs, international affairs and government affairs.

Management, Resources and Results Structure (*Structure de la gestion, des ressources et des résultats*): A comprehensive framework that consists of an organization's inventory of programs, resources, results, performance indicators and governance information. Programs and results are depicted in their hierarchical relationship to each other and to the Strategic Outcome(s) to which they contribute. The Management, Resources and Results Structure is developed from the Program Alignment Architecture.

non-budgetary expenditures (*dépenses non budgétaires*): Includes net outlays and receipts related to loans, investments and advances, which change the composition of the financial assets of the Government of Canada.

performance (*rendement*): What an organization did with its resources to achieve its results, how well those results compare to what the organization intended to achieve and how well lessons learned have been identified.

performance indicator (*indicateur de rendement*): A qualitative or quantitative means of measuring an output or outcome, with the intention of gauging the performance of an organization, program, policy or initiative respecting expected results.

performance reporting (*production de rapports sur le rendement*): The process of communicating evidence-based performance information. Performance reporting supports decision making, accountability and transparency.

planned spending (*dépenses prévues*): For Reports on Plans and Priorities (RPPs) and Departmental Performance Reports (DPRs), planned spending refers to those amounts that receive Treasury Board approval by February 1. Therefore, planned spending may include amounts incremental to planned expenditures presented in the Main Estimates.

A department is expected to be aware of the authorities that it has sought and received. The determination of planned spending is a departmental responsibility, and departments must be able to defend the expenditure and accrual numbers presented in their RPPs and DPRs.

plan (*plan*): The articulation of strategic choices, which provides information on how an organization intends to achieve its priorities and associated results. Generally a plan will explain the logic behind the strategies chosen and tend to focus on actions that lead up to the expected result.

priorities (*priorité*): Plans or projects that an organization has chosen to focus and report on during the planning period. Priorities represent the things that are most important or what must be done first to support the achievement of the desired Strategic Outcome(s).

program (*programme*): A group of related resource inputs and activities that are managed to meet specific needs and to achieve intended results and that are treated as a budgetary unit.

Program Alignment Architecture (*architecture d'alignement des programmes*)**:** A structured inventory of an organization's programs depicting the hierarchical relationship between programs and the Strategic Outcome(s) to which they contribute.

Report on Plans and Priorities (*rapport sur les plans et les priorités*): Provides information on the plans and expected performance of appropriated organizations over a three-year period. These reports are tabled in Parliament each spring.

result (*résultat*): An external consequence attributed, in part, to an organization, policy, program or initiative. Results are not within the control of a single organization, policy, program or initiative; instead they are within the area of the organization's influence.

statutory expenditures (*dépenses législatives*): Expenditures that Parliament has approved through legislation other than appropriation acts. The legislation sets out the purpose of the expenditures and the terms and conditions under which they may be made.

Strategic Outcome (*résultat stratégique*): A long-term and enduring benefit to Canadians that is linked to the organization's mandate, vision and core functions.

sunset program (*programme temporisé*): A time-limited program that does not have an ongoing funding and policy authority. When the program is set to expire, a decision must be made whether to continue the program. In the case of a renewal, the decision specifies the scope, funding level and duration.

target (*cible*): A measurable performance or success level that an organization, program or initiative plans to achieve within a specified time period. Targets can be either quantitative or qualitative.

voted expenditures (*dépenses votées*): Expenditures that Parliament approves annually through an Appropriation Act. The Vote wording becomes the governing conditions under which these expenditures may be made.

whole-of-government framework (*cadre pangouvernemental*): Maps the financial contributions of federal organizations receiving appropriations by aligning their Programs to a set of 16 government-wide, high-level outcome areas, grouped under four spending areas.

Endnotes

i. **Justice Laws website**, http://laws-lois.justice.gc.ca/eng/

ii. **Government Remains Committed to Creating Jobs and Growth by Supporting Venture Capital Investment in Canada**, http://www.fin.gc.ca/n15/15-041-eng.asp

iii. **Whole-of-government framework**, http://www.tbs-sct.gc.ca/ems-sgd/wgf-ipp-eng.asp

iv. ***Public Accounts of Canada 2015***, http://www.tpsgc-pwgsc.gc.ca/recgen/cpc-pac/index-eng.html

v. **Public Works and Government Services Canada website**, http://www.tpsgc-pwgsc.gc.ca/recgen/cpc-pac/index-eng.html

vi. **About Base Erosion and Profit Shifting**, http://www.oecd.org/tax/beps-about.htm

vii. **Government Remains Committed to Creating Jobs and Growth by Supporting Venture Capital Investment in Canada**, http://www.fin.gc.ca/n15/15-041-eng.asp

viii. **2014 Fall Report of the Auditor General of Canada – Chapter 5 (Support to the Automotive Sector)**, http://www.oag-bvg.gc.ca/internet/English/parl_oag_201411_05_e_39963.html#hd3c

ix. **Audit of the Control Framework for Transfer Payments**, http://www.fin.gc.ca/treas/audit/cftp-ccppt-eng.asp#toc1

x. **Harbourfront Centre Funding Program Evaluation Report**, http://www.fin.gc.ca/treas/evaluations/hcfp-pfhc-eng.asp

xi. **Evaluation of the Crown Borrowing Program**, http://www.fin.gc.ca/treas/evaluations/cbp-pese-eng.asp

xii. **Debt Management Strategy for 2014–15**, http://www.budget.gc.ca/2014/docs/plan/anx1-eng.html

xiii. **Government Securities Auctions**, http://www.bankofcanada.ca/markets/government-securities-auctions/

xiv. ***Public Accounts of Canada 2015***, http://www.tpsgc-pwgsc.gc.ca/recgen/cpc-pac/index-eng.html

xv. **Report on the Management of Canada's Official International Reserves**, http://www.fin.gc.ca/purl/efa-fra.asp

xvi. **Department of Finance Canada website**, http://www.fin.gc.ca/fs-ef/dpr-rmr-15-eng.asp

xvii. **Department of Finance Canada website**, http://www.fin.gc.ca/pub/dpr-rmr/2015/st-ts-eng.asp

xviii. **Government of Canada Tax Expenditures**, http://www.fin.gc.ca/purl/taxexp-eng.asp